

News Release

FOR IMMEDIATE RELEASE
Hitachi Capital Corporation
Hitachi Capital Management (China) Ltd.

The First Issuance of Foreign Currency Denominated Green Bonds in Asia as a Japanese Company

Executed Environmentally-Friendly Green Finance in Hong Kong

Tokyo, December 15, 2017 - Hitachi Capital Management (China) Ltd. (Managing Director: Masashi Takeda, “HCMC”), which is a group company of Hitachi Capital Corporation (President & CEO: Seiji Kawabe, “Hitachi Capital”) and also a financial management company in China business (Regional Manager in China: Ryoji Satoh, Executive Officer of Hitachi Capital), issued the first foreign currency denominated green bonds amounting to 100 million U.S. dollars (approximately 11.2 billion yen) in Asia as a Japanese company.

Through the issuance of the green bonds whose usage is limited to environmentally-friendly projects such as renewable energy and energy-saving projects, we will contribute to the promotion of environment and energy that realize low-carbon society and also meet the needs of institutional investors strongly interested in ESG (Environment, Society, Governance) initiatives.

Green bonds have been actively issued mainly in Europe since European Investment Bank (EIB) issued the first green bond in 2007. Recently, companies and financial institutions as well as governments such as France issue green bonds. In Japan, the national and local governments have been issuing a number of green bonds, including the plan by the Tokyo Metropolitan Government to issue 20 billion yen of green bonds in October and December 2017.

There is increasing interest in green bonds in Hong Kong as the Financial Services Development Council (FSDC) released a report entitled “Hong Kong as a regional green finance hub” in May 2016 and introduced measures to establish a benchmark for green bonds issued by governments and private companies.

The green bonds issued by HCMC in Hong Kong obtained a certification from DNV GL Business Assurance*1 for meeting the standards of “Green Bond Principles (GBP)” which were formulated by the International Capital Market Association (ICMA). We plan to use the proceeds of total 100 million U.S. dollars from the green bonds mainly to fund three businesses (renewable energy, circular economy, and sustainable water infrastructure in mainland China) with an aim to contribute to sustainable development and quality of life improvement in the region.

In order to enhance the financial management function including funding and investments in China business, Hitachi Capital Group reorganized*2 HCMC into a corporate treasury center (intermediate holding company) in the region in November 2017, and this issuance of the green bonds is the first case of the flexible funding after the reorganization. We will aim for further business expansion corresponding to the social and economic environment in Hong Kong and mainland China through the enhancement of financial management functions of HCMC.

*1 A third party certification body with more than 88,000 certificates issued worldwide. A certification service provider of DNV GL Group which is an independent foundation with the management philosophy of safeguarding life, property and the environment, headquartered in Oslo, Kingdom of Norway.

*2 The release dated September 29, 2017 “Announcement of Shift to an Intermediate Holding Company System and Statuses Change to Sub-Subsidiaries toward Enhancement of Financial Management Functions in China”
<http://www.hitachi-capital.co.jp/hcc/english/newsrelease/2017/20170929english.pdf>

HITACHI CAPITAL MANAGEMENT (CHINA) LTD GREEN BOND

DNV GL ELIGIBILITY ASSESSMENT

Scope and objectives

Hitachi Capital Management (China) Ltd ("HCMC" or "Issuer"), is a financial services entity providing corporate finance services to the region.

HCMC is considering the issuance of a green bond in USD (henceforth referred to as "BOND") and would like to label the issuance as a "Green Bond" as defined within the Green Bond Principles set out by the International Capital Market Association ("GBP").

The proposed Bond issuance is to be up to a notional value of USD 100 million.

HCMC intends to use the proceeds of the BOND to finance and refinance debts associated with the numerous projects and assets mainly within China falling within the following categories:

Sustainable Water Use:

- Water treatment efficiency upgrades;
- Water use efficiency upgrades;

Circular economy adapted production technologies and processes:

- QEO Certification upgrades and improvements related to technology process and production improvement;
- Energy efficiency;

Renewable energy:

- Manufacture and development of Solar PV technology and components;

Green Buildings:

- Investment in the construction and upgrades for certified (BEAM) green buildings.

DNV GL Business Assurance Limited (henceforth referred to as "DNV GL") has been commissioned by HCMC to provide a Green Bond eligibility assessment of the BOND. Our methodology to achieve this is described under 'Work Undertaken' below. We were not commissioned to provide independent assurance or other audit activities.

No assurance is provided regarding the financial performance of the BOND, the value of any investments in the BONDS, or the long term environmental benefits of the transaction. Our objective has been to provide an assessment that the BOND has met the criteria established on the basis set out below.

The scope of this DNV GL opinion is limited to the Green Bond Principles 2017 (GBP).

Responsibilities of the Management of HCMC and DNV GL

The management of HCMC has provided the information and data used by DNV GL during the delivery of this review. Our statement represents an independent opinion and is intended to inform HCMC management and other interested stakeholders in the BOND as to whether the established criteria have been met, based on the information provided to us. In our work we have relied on the information and the facts presented to us by HCMC. DNV GL is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV GL shall not be held liable if any of the information or data provided by HCMC's management and used as a basis for this assessment were not correct or complete.

Basis of DNV GL's opinion

We have adapted our Green Bond Principles methodology, which incorporates the requirements of the GBP, to create a HCMC-specific Green Bond Eligibility Assessment Protocol (henceforth referred to as "Protocol"). Our Protocol includes a set of suitable criteria that can be used to underpin DNV GL's opinion. The overarching principle behind the criteria is that a green bond should "enable capital-raising and investment for new and existing projects with environmental benefits".

As per our Protocol, the criteria against which the BOND has been reviewed are grouped under the four Principles:

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that an issuer of a green bond must use the funds raised to finance and refinance eligible activities. The eligible activities should produce clear environmental benefits.
 - **Principle Two: Process for Project Evaluation and Selection.** The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a green bond should outline the process it follows when determining eligibility of an investment using Green Bond proceeds, and outline any impact objectives it will consider.
 - **Principle Three: Management of Proceeds.** The Management of Proceeds criteria are guided by the requirements that a green bond should be tracked within the issuing organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.
 - **Principle Four: Reporting.** The Reporting criteria are guided by the recommendation that at least Sustainability Reporting to the bond investors should be made of the use of bond proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.
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Work undertaken

Our work constituted a high level review of the available information, based on the understanding that this information was provided to us by HCMC in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- Creation of an HCMC-specific Protocol, adapted to the purpose of the BOND, as described above and in Schedule 2 to this Assessment;
- Assessment of documentary evidence provided by HCMC on the BOND and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Discussions with HCMC management, and review of relevant documentation;
- Documentation of findings against each element of the criteria. Our opinion as detailed below is a summary of these findings.

Findings and DNV GL's opinion

DNV GL's findings are listed below:

- 1. Principle One: Use of Proceeds.** HCMC plans to use the proceeds of the BOND to finance and refinance projects and assets including:

Sustainable Water Use (19%):

- Water treatment efficiency upgrades;
- Water use efficiency upgrades;

Circular economy adapted production technologies and processes (37%):

- QEO Certification upgrades and improvements related to technology process and production improvement;
- Energy efficiency;

Renewable energy (44%):

- Manufacture and development of Solar PV technology and components;

Green Buildings:¹

- Investment in the construction and upgrades for certified (BEAM) green buildings.

¹ Proportion may be adjusted between categories.

DNV GL reviewed the criteria for the project categories above to determine the eligibility of the nominated projects and assets.

- 2. Principle Two: Process for Project Evaluation and Selection.** The BOND's proceeds will be allocated solely to finance and refinance the assets as defined in Schedule 1. DNV GL has reviewed evidence that demonstrates that HCMC regularly assesses opportunities for improvement and devises action plans and initiatives to mitigate negative environmental and social impacts from its operations.
- 3. Principle Three: Management of Proceeds** DNV GL has reviewed evidence showing how HCMC plans to trace the proceeds from the Bond, from the time of issuance to the time of disbursement. The full amount of the proceeds will be managed within treasury or equivalent, and thereafter disbursed in accordance with the debt obligation. The details of the disbursement and the outstanding value will be tracked using HCMC's internal financial reporting system. At the end of each financial period, HCMC will review the outstanding balance of the BOND. As stated above, DNV GL provides no assurance regarding the financial performance of the Bond, the value of any investments in the Bond, or the effects of the transaction.
- 4. Principle Four: Reporting.** HCMC will include a dedicated section on the Green Bond in a designated website. This will include description of the projects, the eligible category and may include further information as available for release at the issuers discretion.

On the basis of the information provided by HCMC and the work undertaken, it is DNV GL's opinion that the BOND meets the criteria established in the Protocol and that it is aligned with the stated definition of green bonds within the Green Bond Principles, which is to "enable capital-raising and investment for new and existing projects with environmental benefits".

for DNV GL Business Assurance China

24 November 2017



Ke Karl Song

Sustainability Service Manager
DNV GL – Business Assurance



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About DNV GL

Driven by our purpose of safeguarding life, property and the environment, DNV GL enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

SCHEDULE 1: DESCRIPTION OF NOMINATED ASSET TO BE FINANCED AND REFINANCED THROUGH HCMC GREEN BOND

No.	Expected Category	USD equivalency
1	Sustainable Water	19,818,252
2	Circular Economy Adapted Production Technologies and Processes (incl. energy efficiency)	38,458,580
3	Renewable Energy	46,664,021
Total		104,940,853

SCHEDULE 2: INVESTOR HCMC-SPECIFIC GREEN BOND ELIGIBILITY ASSESSMENT PROTOCOL

1. Use of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
1a	Type of bond	<p>The bond must fall in one of the following categories, as defined by the Green Bond Principles:</p> <ul style="list-style-type: none"> • Green Use of Proceeds Bond • Green Use of Proceeds Revenue Bond • Green Project Bond • Green Securitized Bond 	<p>Review of:</p> <ul style="list-style-type: none"> - Offering Memorandum - HCMC Green Bond Framework <p>Discussions with HCMC management</p>	<p>The reviewed evidence confirms that the BOND falls in the category: Green Use of Proceeds Bond.</p>
1b	Green Project Categories	<p>The cornerstone of a Green Bond is the utilization of the proceeds of the bond which should be appropriately described in the legal documentation for the security.</p>	<p>Review of:</p> <ul style="list-style-type: none"> - Offering Memorandum - HCMC Green Bond Framework - Sub Project Performance and Financial Documentation <p>Discussions with HCMC management</p>	<p>As identified by the Offering Memorandum the purpose of the BOND is to use the proceeds to finance and refinance credit facilities for projects falling under the following categories:</p> <ul style="list-style-type: none"> • Sustainable Water Use • Circular economy adapted production technologies and processes (incl. energy efficiency) • Renewable energy • Green Buildings

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
				<p>DNV GL’s assessment concluded that these project types qualify for inclusion under the Green Bond Principles</p>
1c	Environmental benefits	<p>All designated Green Project categories should provide clear environmentally sustainable benefits, which, where feasible, will be quantified or assessed by the issuer.</p>	<p>Review of:</p> <ul style="list-style-type: none"> - Offering Memorandum - HCMC Green Bond Framework - HCMC Asset Specifications <p>Discussions with HCMC management</p>	<p>Sustainable Water Use:</p> <ul style="list-style-type: none"> • Water treatment efficiency upgrades; • Water use efficiency upgrades; <p>Circular economy adapted production technologies and processes:</p> <ul style="list-style-type: none"> • QEO Certification upgrades and improvements related to technology process and production improvement; • Energy efficiency; <p>Renewable energy</p> <ul style="list-style-type: none"> • Manufacture and development of Solar PV technology and components <p>Green Buildings</p> <ul style="list-style-type: none"> • Investment in the construction and upgrades for certified green buildings. <p>Were evaluated by DNV GL via the respective Investee operations and their project history to date. DNV GL has concluded that the investment in projects under these categories would reasonably result in environmental benefits.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
1d	Refinancing share	In the event that a proportion of the proceeds may be used for refinancing, it is recommended that issuers provide an estimate of the share of financing vs. re-financing, and where appropriate, also clarify which investments or project portfolios may be financed and refinanced.	Review of: <ul style="list-style-type: none"> - Offering Memorandum - Bond disclosure documentation - BOND Proceeds and reporting framework Discussions with HCMC management	The proceeds of the BOND, (as per the next section), will initially be used 100% for refinancing. The proportion of refinancing may change over the period of the bond as the investment share between eligible categories changes.

2. Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
2a	Investment-decision process	The issuer of a Green Bond should outline the decision-making process it follows to determine the eligibility of projects using Green Bond proceeds. This includes, without limitation: <ul style="list-style-type: none"> • A process to determine how the projects fit within the eligible Green Projects categories identified in the Green Bond Principles; 	Review of: <ul style="list-style-type: none"> - Offering Memorandum - HCMC Green Bond Framework - Appendix 2 of the Green Bond Framework 	As per the HCMC Green Bond Framework, the issuer has set out the following criteria for project selection: <p>4.1 Project Identification</p> All the Eligible Projects will select Eligible Green Loans or Projects from the candidate list and confirm that those loans or projects meet the requirements under the HCMC Green Bond Framework (2017) and the ICMA Green Bond Principles. Under the Framework the list of eligible project categories has been set to include: <p>Sustainable Water Use:</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
		<ul style="list-style-type: none"> The criteria making the projects eligible for using the Green Bond proceeds; and The environmental sustainability objectives 		<ul style="list-style-type: none"> Water treatment efficiency upgrades; Water use efficiency upgrades; <p>Circular economy adapted production technologies and processes</p> <ul style="list-style-type: none"> QEO Certification upgrades and improvements related to technology process and production improvement; Energy efficiency; <p>Renewable energy</p> <ul style="list-style-type: none"> Manufacture and development of Solar PV technology and components <p>Green Buildings</p> <ul style="list-style-type: none"> Investment in the construction and upgrades for certified (BEAM) green buildings. <p>At the time of issuance.</p> <p>DNV GL confirmed this process to define a clear and repeatable system by which projects maybe identified and included or excluded from the Green Bond project pool.</p>
2b	Issuer's environmental and social and governance framework	In addition to information disclosed by an issuer on its Green Bond process, criteria and assurances, Green Bond investors may also take into consideration the quality of the issuer's overall framework and performance regarding environmental sustainability.	Review of: <ul style="list-style-type: none"> HCMC Sustainability and CSR Policy and Governance Framework HCMC Sustainability Reporting HCMC Green Bond Framework Appendix 2 to the HCMC 	DNV GL reviewed the HCMC Environmental and Sustainability Policy in addition to the Sustainability Reporting Framework for HCMC and its subsidiary organisations. HCMC's Sustainability and CSR policies and governance frameworks form the basis for clear stakeholder reporting of relevant metrics such a GHG emissions, Energy generation, waste management, technological

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
			<p>Green Bond Framework</p> <p>Discussions with HCMC management</p>	<p>rollouts and other social and environmental metrics. The proposed reporting associated with the HCMC Green Bond is in line with their existing Sustainability Reporting framework and metrics to stakeholders and investors.</p> <p>Based on the evidence reviewed and the discussion we had with senior managers, we found nothing to suggest that HCMC’s environmental, social and governance framework is not in line with good practice of the industry in which it operates.</p>

3. Management of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
3a	Tracking procedure	The net proceeds of Green Bonds should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process that will be linked to the issuer’s lending and investment operations for Green Projects.	<p>Review of:</p> <ul style="list-style-type: none"> - Offering Memorandum - BOND Proceeds and reporting framework <p>Discussions with HCMC management</p>	<p>The evidence reviewed shows how HCMC plans to trace the BOND’s proceeds, from the time of issuance to the time of disbursement.</p> <p>The details of the disbursement and the outstanding value will be tracked in HCMC’s internal financial system. At the end of each financial period, the outstanding balance of the BOND will be tracked internally.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
3b	Tracking procedure	So long as the Green Bonds are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible green investments or loan disbursements made during that period.	Review of: <ul style="list-style-type: none"> - Offering Memorandum - HCMC Green Bond Framework Discussions with HCMC management	The Issuer aims to maintain the level of lending to Eligible Green Loans or Projects to exceed the net proceeds of the Notes during the term of the Notes. Any proceeds applied to Eligible Green Loans or Projects that have been sold, prepaid, amortised, accelerated, assigned, novated or otherwise become ineligible shall be reallocated to other Eligible Green Loans or Projects. So long as the Notes are outstanding, the Issuer will review and update on an annual basis the list of Eligible Green Loans or Projects to which the net proceeds of the Notes were allocated.
3c	Temporary holdings	Pending such investments or disbursements to eligible Green Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	Review of: <ul style="list-style-type: none"> - BOND Management of Proceeds framework Discussions with HCMC management	The net proceeds of the Bond will be managed within treasury or equivalent, tracked and will be fully and immediately disbursed where possible or held in equivalent green investments or cash equivalent until disbursement to the nominated assets as per the HCMC Green Bond Framework.

4. Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
4a	Periodical reporting	In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Green Bond proceeds have been allocated including - when possible with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected environmentally sustainable impact.	Discussions with HCMC management	HCMC will include a dedicated section on the Green Bond in a designated website. This will include description of the projects, the eligible category and may include further information as available for release at the issuers discretion.